

GOVERNOR'S TURTLE BAY ADVISORY WORKING GROUP

**March 12, 2008 - 11:00 - 12:15 P.M.
Governor's Conference Room**

Minutes

Attendance

Present: Chair Bill Paty; Governor Linda Lingle; Vice-Chair Laura Thielen; Director Ted Liu; Senator Clayton Hee; Councilmember Donovan Dela Cruz; Ms. Denise Antolini; Mr. Cy Bridges; Mr. Mitch Costino; Ms. Lea Hong; Mr. Ernest Martin; Mr. Steve Metter; Mr. Junior Primacio; Mr. Bill Neal (Representing Dr. Steven Wheelwright); Cade Watanabe (Representing Eric Gill); Ms. Judy Fomin (Representing Representative Michael Magaoay); Senior Policy Advisor Linda Smith; Senior Advisor – Communications Lenny Klompus; Chief of Staff Barry Fukunaga

Absent: Mr. Blake McElheny; Ms. Cathleen Mattoon

Call to Order Chair Paty called the meeting to order at 11:07 a.m.

I. Introduction of Working Group Members - Bill Paty, Chair

Chair Paty welcomed all members of the Governor's Turtle Bay Advisory Working Group to their first meeting.

II. Welcome and Opening Remarks - Governor Linda Lingle

Governor thanked all members of the advisory group and expressed her excitement for this significant undertaking. Governor articulated two goals as the guiding principles for the committee:

- (1) Preserve the economic viability of the resort; and
- (2) Make certain that remaining lands stay in public hands.

Governor Lingle said the desire is to minimize state funding and maximize other sources, such as Federal funds and private contributions. She noted that while the Committee is not subject to Chapter 92, HRS, open meetings statutes, her desire is to keep these meetings open to the public to the extent possible.

III. Background on Turtle Bay Property - Ted Liu, Director, Department of Business, Economic Development and Tourism

Director Liu provided the Working Group with several maps detailing the parcels owned by Oaktree/Kuilima Resorts LLC, describing the land use classifications, zoning, and proposed development plans.

Director Liu noted that the Makai land totaled 858.5 acres. He also noted that this is the portion of the Kuilima property subject to liens by the creditors. Director Liu noted that the Mauka lands totaled 469 acres. Governor Lingle pointed out that the sewage treatment plant and the Kuilima property's water source is located on Mauka lands, which is why acquisition of the Mauka lands is critical. Oaktree's/Kuilima Resorts LLC's total holdings are 1,327.5 acres.

IV. Status of Legal Cases - Lisa Ginoza, First Deputy Attorney General, and Denise Antolini, Associate Professor/Director, Environmental Law Program, University of Hawaii William S. Richardson School of Law

Lisa Ginoza provided a summary on the foreclosure action brought by Credit Suisse. The foreclosure action was filed on December 20, 2007. The defendants in the action are Kuilima Resort Company (fee owner of the property), TBR Property LLC (leaseholder for part of the property) and Wells Fargo Bank (agent for junior lienholders). As explained by Ms. Ginoza, the amended complaint in the action asserts that in September 2005 Kuilima Resort Company entered into a First Lien Credit Agreement for \$275 million. The proceeds from the loan were used to, among other things, refinance their existing debt, make a one time distribution to the beneficial owners of Kuilima, and to finance part of the development.

The complaint further states that in May 2007, because of default, Kuilima and its creditors entered in to a Waiver and Amendment to the First Lien Credit Agreement. This waived Kuilima's default for a time.

In November 2007, lenders with more than 50% of the loan authorized the exercise of remedies. As of November 30, 2007, the complaint alleges that Kuilima owed not less than approximately \$238 million: approximately \$271 million for the principal, approximately \$10.4 million in interest and approximately \$2.3 million in outstanding amendment fees. Credit Suisse then filed the foreclosure action.

In December 2007 Credit Suisse asked the courts to appoint Douglas Wilson of California as receiver and requested summary judgment in the case that is, seeking a ruling that Credit Suisse is entitled to foreclose. The motions were

initially scheduled for April 16th, but the hearing date has been extended due to continuances. At present the hearing is scheduled for July 10th.

Chair Paty asked Ms. Ginoza what the nature of the continuation was. Ms. Ginoza responded that there is language in the most recent stipulation filed with the court which indicates that the parties are seeking mutual resolution of the situation. Ms. Ginoza suggested that this is an indication that they may try to settle this issue outside of the court.

Ms. Antolini summarized the related lawsuits (one filed initially then settled by Unite HERE Local 5, and the second one separately filed by Keep the North Shore Country and the Sierra Club), against the City and County of Honolulu and Kuilima Resort. The lawsuits alleged that Kuilima must file a Supplemental Environmental Impact Statement (SEIS) before the City can approve the subdivision. The lawsuit was dismissed by Judge McKenna (First Circuit) in favor of the City/Kuilima in November 2007 and is currently on appeal to the Intermediate Court of Appeals. Oral arguments are scheduled for April 9, 2007, 9:00 a.m. in the courtroom of the Hawaii Supreme Court (2nd floor).

V. Status of State Legislation (SB 2423) and Legacy Lands Bill (SB 3102) - Senator Clayton Hee

Senator Clayton Hee summarized pending legislation relevant to the Turtle Bay purchase, most notably SB 2423 and SB 3102. Senator Hee reported that at present SB 2423, which authorizes funding for the acquisition and purchase of the property, has passed the House Water, Land, Ocean Resources and Hawaiian Affairs Committee. The bill is now pending before the House Tourism and Culture Committee.

VI. Working Group Logistics - Bill Paty, Chair

A. Staffing and Community Resources

Ms. Smith introduced Kainoa Kaumeheiwa-Rego of the Policy Office and Norma Bustos of DLNR who will serve as the Working Group's support staff. She also said that the names and contact information for people in the community who want to help will be shared with the Advisory Working Group.

B. Communications - e-mail site

Lenny Klompus has set up a googlegroup.com address which will serve to facilitate communication among members.

gtbadvisoryworkinggroup@googlegroups.com is the e-mail address.

C. Formation of Subcommittees:

Chair Paty made the following appointments to working subcommittees:

1. Subcommittee on Acquisition options

Steve Metter – Chair
Ted Liu
Dr. Steven Wheelwright
Lea Hong

2. Subcommittee on Long-term Resort Viability

Eric Gill – Chair
Blake McElheny
Cy Bridges

3. Subcommittee on Community Communications

Denise Antolini – Chair
Junior Primacio
Mitch Costino

4. Other Possible Subcommittees

Director Liu suggested the creation of a Subcommittee on Funding to inventory sources of potential funding. Chair Paty agreed that at some point it may become a separate subcommittee, after the Subcommittee on Acquisition Options has done its initial work.

VI. Schedule of Future Meetings - Bill Paty, Chair

The next meeting scheduled for Wednesday, March 19th at 10:00 a.m. in the Governor's Conference Room.

VIII. Adjournment

The meeting adjourned at 12:22 p.m.